

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Byron-Gaines Utility Authority		County Kent	
Fiscal Year End 06/30/06		Opinion Date 08/15/06		Date Audit Report Submitted to State 11/28/06			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

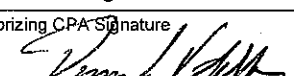
SEY 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	None to report	
Other (Describe)		<input type="checkbox"/>	No other information required	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC			Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road			City Kalamazoo	State MI
			Zip 49002	
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA		License Number 1101020724

Byron-Gaines Utility Authority
Kent County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Years ended June 30, 2006 and 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Byron-Gaines Utility Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Byron-Gaines Utility Authority's operations over the fiscal year and its financial condition on June 30, 2006.

FINANCIAL HIGHLIGHTS

- The Authority's total net assets increased \$43,646 (1%) as a result of this year's activities.
- Total net assets, in the amount of \$3,426,930, were reported, of which \$3,417,780 is invested in capital assets. This leaves the Authority with unrestricted net assets of \$9,150.

Overview of the financial statements

The Statement of Net Assets reports all of the Authority's assets and liabilities along with the difference between the two, which is identified as the net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Authority's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position.

The statement of revenues, expenses, and changes in net assets shows how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave). This statement should help the reader to answer the question: Is the Authority, better off or worse off as a result of this year's activities?

The statement of cash flows presents the Authority's cash receipts and disbursements during the fiscal year, classified by principal sources and uses.

Funds

The accounts of the Authority are organized on the basis of funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority's funds are classified in two categories:

Operating Fund. This fund accounts for the expenses involved in providing utility operation and maintenance services to the constituent municipalities who are then charged fees to recover the costs of operation. This fund uses accrual accounting, which is the same method used by private sector businesses.

Fiduciary Fund. This fund is used to account for the resources held for the benefit of parties outside the Authority. The resources reported here represent an agency relationship and are not, therefore, available to the Authority to provide services to its customers. The Authority is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The Authority's fiduciary assets and liabilities are reported in a separate Statement of Fiduciary Net Assets - Agency Fund. This fund is also reported using accrual accounting.

The notes to the basic financial statements provide additional information that is necessary to understand the data reported in the financial statements.

Byron-Gaines Utility Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Authority's case, assets exceeded liabilities at the end of the fiscal year by \$3,426,930. The Authority's investment in capital assets (e.g., building, equipment, and vehicles), a component of the total net assets, amounts to \$3,417,780. The Authority uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs. The remaining net assets, in the amount of \$9,150, is unrestricted.

Condensed financial information

Net assets

	<u>2006</u>	<u>2005</u>
Current assets	\$ 209,968	\$ 193,166
Capital assets	<u>3,417,780</u>	<u>3,416,482</u>
Total assets	<u>3,627,748</u>	<u>3,609,648</u>
Current liabilities	<u>200,818</u>	<u>226,364</u>
Net assets:		
Invested in capital assets	3,417,780	3,416,482
Unrestricted (deficit)	<u>9,150</u>	<u>(33,198)</u>
Total net assets	<u>\$ 3,426,930</u>	<u>\$ 3,383,284</u>

Changes in net assets. The Authority experienced an increase in net assets of \$43,646 during the current fiscal year primarily because capital contributions exceeded depreciation expense. Last year's increase, in the amount of \$2,062,307, was primarily the result of nonoperating capital contributions received from the constituent municipalities, which finance the acquisition of capital assets.

The Authority's total revenues were \$1,160,749. Virtually all of the Authority's revenues come from its constituent municipalities. During the current year, the Authority charged \$1,013,847 for its services and received \$143,058 in capital contributions.

Byron-Gaines Utility Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The total cost of the Authority's operations amounted to \$1,117,103 in 2006 compared to \$1,033,395 in 2005, or an 8 percent increase. More than 47 percent of the costs are personnel costs, while nearly 23 percent represents shop supplies.

Condensed financial information
Changes in net assets

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Charges for services	\$ 1,010,797	\$ 901,354
Other	3,050	3,000
Nonoperating revenues:		
Capital contributions	143,058	2,190,213
Interest income	3,844	1,135
Total revenues	<u>1,160,749</u>	<u>3,095,702</u>
Expenses:		
Personnel	526,612	438,627
Supplies	262,275	253,463
Professional services	62,362	85,950
Utilities	42,635	40,077
Repairs and maintenance	23,749	37,155
Insurance	25,723	28,036
Depreciation	135,340	115,897
Miscellaneous	38,407	34,190
Total expenses	<u>1,117,103</u>	<u>1,033,395</u>
Increase in net assets	<u>\$ 43,646</u>	<u>\$ 2,062,307</u>

Capital assets and debt administration

Capital assets

The Authority's investment in capital assets as of June 30, 2006, amounts to \$3,417,780 (net of accumulated depreciation). Capital assets include utility system infrastructure, buildings, land improvements, shop and office equipment, and vehicles.

The net increase in capital assets amounted to \$1,298. This year's major capital events included the following:

- Utility system improvements, amounting to \$46,823, were contributed by the constituent units.
- Several paving projects were completed at a cost of \$27,331.
- Purchased a variety of equipment totaling \$25,884.
- Service bodies were purchased for each of the Authority's vehicles for \$23,875.

More detailed information about the Authority's capital assets is presented in Note 5 of the notes to the financial statements.

Byron-Gaines Utility Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration (Continued)

Debt

The Authority had no debt at the beginning or end of the current fiscal year.

Economic condition and outlook

The Authority continues to rely on support from its constituent municipalities to finance all operating costs and capital acquisitions.

Contacting the Authority's financial management

This financial report is designed to provide a general overview of the Authority's finances to its customers and creditors, and to demonstrate the Authority's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Daniel Van Dyke, Manager
Byron-Gaines Utility Authority
1381 84th Street SE
Byron Center, MI 49315

Phone: (616) 971-0002
E-Mail: dl.vandyke@bgua.org

INDEPENDENT AUDITORS' REPORT

**Members of the Commission
Byron-Gaines Utility Authority**

We have audited the accompanying financial statements of the Byron-Gaines Utility Authority, as of June 30, 2006 and 2005, and for the years then ended, as listed in the contents. These financial statements are the responsibility of the Byron-Gaines Utility Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Byron-Gaines Utility Authority as of June 30, 2006 and 2005, and the changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, on pages i through iv, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Siegfried Crandall P.C.

August 15, 2006

BASIC FINANCIAL STATEMENTS

Byron-Gaines Utility Authority
STATEMENT OF NET ASSETS
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Current assets:		
Cash	\$ 113,736	\$ 120,546
Receivables	<u>96,232</u>	<u>72,620</u>
Total current assets	209,968	193,166
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>3,417,780</u>	<u>3,416,482</u>
Total assets	<u>3,627,748</u>	<u>3,609,648</u>
LIABILITIES		
Current liabilities:		
Accounts payable	24,815	47,387
Accrued expenses	24,503	26,927
Deposits	3,000	4,000
Deferred revenue	3,500	3,050
Advances from constituent municipalities	<u>145,000</u>	<u>145,000</u>
Total current liabilities	<u>200,818</u>	<u>226,364</u>
NET ASSETS		
Invested in capital assets	3,417,780	3,416,482
Unrestricted (deficit)	<u>9,150</u>	<u>(33,198)</u>
Total net assets	<u>\$ 3,426,930</u>	<u>\$ 3,383,284</u>

See notes to financial statements

Byron-Gaines Utility Authority**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS***Years ended June 30, 2006 and 2005*

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES		
Charges for services:		
Charter Township of Gaines	\$ 542,572	\$ 520,244
Township of Byron	468,225	381,110
Other	<u>3,050</u>	<u>3,000</u>
Total operating revenues	<u>1,013,847</u>	<u>904,354</u>
OPERATING EXPENSES		
Personnel:		
Salaries and wages	381,194	324,339
Fringe benefits	145,418	114,288
Supplies:		
Office	9,623	9,344
Shop	252,652	244,119
Professional services:		
Engineering	18,853	27,286
Legal	7,468	1,565
Other	36,041	57,099
Utilities	42,635	40,077
Repairs and maintenance	23,749	37,155
Insurance	25,723	28,036
Depreciation	135,340	115,897
Miscellaneous	<u>38,407</u>	<u>34,190</u>
Total operating expenses	<u>1,117,103</u>	<u>1,033,395</u>
OPERATING LOSS	<u>(103,256)</u>	<u>(129,041)</u>
NONOPERATING REVENUE		
Interest	<u>3,844</u>	<u>1,135</u>
CAPITAL CONTRIBUTIONS FROM CONSTITUENT MUNICIPALITIES		
Charter Township of Gaines	71,529	1,062,177
Township of Byron	<u>71,529</u>	<u>1,128,036</u>
Total capital contributions from constituent municipalities	<u>143,058</u>	<u>2,190,213</u>
CHANGE IN NET ASSETS	43,646	2,062,307
NET ASSETS - BEGINNING	<u>3,383,284</u>	<u>1,320,977</u>
NET ASSETS - ENDING	<u>\$ 3,426,930</u>	<u>\$ 3,383,284</u>

See notes to financial statements

Byron-Gaines Utility Authority
STATEMENT OF CASH FLOWS
Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 990,685	\$ 899,223
Payments to suppliers	(683,420)	(546,016)
Payments to employees	(324,339)	(324,339)
Net cash provided by (used in) operating activities	<u>(17,074)</u>	<u>28,868</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions from constituent municipalities	143,058	177,725
Acquisition of fixed assets	(143,058)	(177,725)
Proceeds from sales of capital assets	<u>6,420</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>6,420</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>3,844</u>	<u>1,135</u>
NET INCREASE (DECREASE) IN CASH	(6,810)	30,003
CASH - BEGINNING	<u>120,546</u>	<u>90,543</u>
CASH - ENDING	<u>\$ 113,736</u>	<u>\$ 120,546</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (103,256)	\$ (129,041)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	135,340	115,897
Increase in receivables	(23,612)	(8,181)
Increase (decrease) in:		
Accounts payable	(22,572)	39,387
Accrued expenses	(2,424)	5,256
Customer deposits	(1,000)	2,500
Deferred revenue	<u>450</u>	<u>3,050</u>
Net cash provided by (used in) operating activities	<u>\$ (17,074)</u>	<u>\$ 28,868</u>

See notes to financial statements

Byron-Gaines Utility Authority
STATEMENT OF CASH FLOWS (Continued)
Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Noncash capital and related financing activities:		
Acquisition of capital assets	\$ -	\$ (2,190,213)
Less capital assets contributed by constituent municipalities	<u>-</u>	<u>2,012,488</u>
Net cash used	<u>\$ -</u>	<u>\$ (177,725)</u>

See notes to financial statements

Byron-Gaines Utility Authority
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	\$ 341,581	\$ -
Due from constituent municipalities	<u>367,385</u>	<u>440,868</u>
Total assets	<u>\$ 708,966</u>	<u>\$ 440,868</u>
LIABILITIES		
Accounts payable	<u>\$ 708,966</u>	<u>\$ 440,868</u>

See notes to the financial statements

Byron-Gaines Utility Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Byron-Gaines Utility Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

These financial statements include all the operations of the Authority, a municipal joint venture. The Authority was created under the provisions of Act 233 of the Public Acts of Michigan of 1955, as amended, through an agreement entered into by the Township of Byron and the Charter Township of Gaines on March 4, 2002. The purpose of the Authority is to acquire, own, construct, improve, enlarge, extend, maintain, and operate sewage disposal systems and water supply systems for the benefit of its constituent municipalities. Initially, it is the intent of the constituent municipalities that the Authority operate and maintain the sewage disposal systems and water supply systems located in and owned by the constituent municipalities. Capital expenditures are supported by contributions from the constituent municipalities.

The constituent municipalities have entered into contracts with certain nonconstituent municipalities for the furnishing of sewer and water service to utility systems owned by the constituent municipalities. The Authority, in a fiduciary capacity, collects money from the constituent municipalities and pays the nonconstituent municipalities for these services. This activity is accounted for in the Authority's Agency Fund.

b) Basis of accounting:

The Authority uses the accrual basis of accounting to account for its operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow subsequent private-sector standards.

c) Operating revenues and expenses:

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues represent billings to the constituent municipalities for operating and maintaining the utility systems located in and owned by the constituent municipalities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Byron-Gaines Utility Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets and liabilities:

i) *Cash* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - All receivables are considered to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, equipment, and vehicles, are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	5 - 40 years
Buildings	40 years
Equipment	5 - 10 years
Vehicles	7 years

iv) *Compensated absences (vacation and sick leave)* - It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service. Vested compensated absences are accrued when earned.

NOTE 2 - CASH:

Cash, as presented in the accompanying financial statements, consists of the following:

	<u>Fund</u>		
	<u>Operating</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 113,636	\$ 341,581	\$ 455,217
Cash on hand	<u>100</u>	<u>-</u>	<u>100</u>
Totals	<u>\$ 113,736</u>	<u>\$ 341,581</u>	<u>\$ 455,317</u>

Byron-Gaines Utility Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH (Continued):

Deposits with financial institutions - State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of June 30, 2006, \$342,685 of the Authority's bank balances of \$473,426 was exposed to custodial credit risk because it was uninsured. The Authority believes that it is impractical to insure all bank deposits. The Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - RECEIVABLES:

At June 30, 2006, receivables consist of amounts due from constituent municipalities that are due within one year.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated:				
Utility system insurable assets	\$ 2,470,000	\$ 46,823	\$ -	\$ 2,516,823
Land improvements	81,579	38,439	-	120,018
Buildings and improvements	1,252,196	1,510	-	1,253,706
Shop equipment	67,393	25,883	-	93,276
Office equipment and furniture	44,021	6,528	-	50,549
Vehicles	135,243	23,875	8,276	150,842
Subtotal	<u>4,050,432</u>	<u>143,058</u>	<u>8,276</u>	<u>4,185,214</u>
Less accumulated depreciation for:				
Utility system insurable assets	506,912	51,556	-	558,468
Land improvements	4,667	8,935	-	13,602
Buildings and improvements	58,250	31,669	-	89,919
Shop equipment	15,370	12,161	-	27,531
Office equipment and furniture	14,817	8,758	-	23,575
Vehicles	33,934	22,261	1,856	54,339
Subtotal	<u>633,950</u>	<u>135,340</u>	<u>1,856</u>	<u>767,434</u>
Total capital assets being depreciated, net	<u>\$ 3,416,482</u>	<u>\$ 7,718</u>	<u>\$ 6,420</u>	<u>\$ 3,417,780</u>

Byron-Gaines Utility Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - NONCURRENT LIABILITY:

The constituent municipalities provided advances, which represent a working capital reserve for the Authority, that is to be equal to three months of budgeted direct expenses of the Authority.

NOTE 6 - DEFINED CONTRIBUTION PENSION PLAN:

The Authority provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Authority contributes 10% of each qualified employee's base salary to the plan. The Authority's contributions are fully vested immediately. The Authority is not a trustee of the plan, nor is the Authority responsible for investment management of plan assets. The Authority made the required contributions of \$36,662 for the year ended June 30, 2006.

NOTE 7 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - SUBSEQUENT EVENT:

In May 2006, the Authority approved a resolution to change the end of its fiscal year from June 30 to December 31. Accordingly, the financial statements of the next fiscal year will be for the short year (six months) ending December 31, 2006.